

**International Transactions Tax Act  
(Aussensteuergesetz)**

**of 8 September 1972  
Federal Law Gazette 1972 I p.1713**

as amended by federal laws on the reform of the Inheritance and Gift Tax Act of 04-17-1974 (Federal Law Gazette I p.933), the Introductory Law to the Income Tax Reform Act of 12-21-1974 (Federal Law Gazette I p. 3656), the Introductory Law to the Corporation Tax Reform Act of 09-06-1976 (Federal Statutes I p. 2641), the Introductory Law to the German Fiscal Code of September 14, 1976 (Federal Law Gazette I p. 3341), the Law on amendments to the Income Tax Act, Corporation Income Tax Act and other Acts of 08-20-1980 (Federal Law Gazette I p. 1545), Act to Reinforce Competitiveness in the Economy and to limit Tax Advantages (Tax Relief Act 1984) 12-22-1983 (Federal Law Gazette I p. 1583), the Tax Clarification Act 1985 of 12-14-1984 (Federal Law Gazette I p. 1493), Decision of the Federal Constitutional Court of 05-14-1986 (Federal Law Gazette I p. 1030), Unification Agreement of 08-31-1990 (Federal Law Gazette II p. 889,978) the Tax Amendment Law 1992 of 02-25-1992 (Federal Law Gazette I p. 297), "Standortsicherungsgesetz" (Act on the determination of corporate residence) of 09-13-1993 (Federal Law Gazette I p. 1569), "Mißbrauchsbekämpfungs- und Steuerbereinigungsgesetz" (Abuse Prevention and Tax Clarification Act) of 12-21-1993 (Federal Law Gazette I p. 2310), Laws on the Amendment to the Tax Reorganization Act of 10-28-1994 (Federal Law Gazette I p. 3267), the Annual Tax Act 1997 of 12-20-1996 (Federal Law Gazette I p. 2049), Law on the Reduction of Tax Rates and on the Reform of Corporate Taxation (Tax Reduction Act - StSenkG ) of 10-23-2000 (Federal Law Gazette I p. 1433), Tax-Euro Smoothing Act (StEuglG) of 12-19-2000 (Federal Law Gazette I p. 1790) and the law on the Continuing Development of the Corporate Tax Laws (UntStFG) of 12-20-2001 (Federal Law Gazette I p. 3858)

**BGBL III/FNA 610-6-8**

The following law was adopted by the Bundestag (Lower House of German Parliament) with the approval of the Bundesrat (Upper House).

1. The International Transactions Tax Act was adopted as Art. 1 of the Act to Preserve Tax Equality with Respect to International Transactions and to Improve the Competitive Position Regarding Foreign Investments.

**For application, see §21**

**§ 11 Adjustment of Income**

**§11 Adjustment of Income.** (1) If the income of a taxpayer resulting from his business relationship with a related person is reduced because the taxpayer has, within his business relationship extending to a foreign country, agreed on terms and conditions which deviate from those which unrelated third parties would have agreed upon under the same or similar circumstances, then his income shall, notwithstanding other provisions, be so determined as if such income would have been earned under terms and conditions agreed upon between unrelated third parties.

(2) A taxpayer shall be deemed related with a person if

1. the person directly or indirectly holds a participation of a minimum of one fourth in the taxpayer's capital (substantial participation) or if the person is able to directly or indirectly exert a controlling influence upon the taxpayer, or vice-versa, if the taxpayer holds a substantial participation in the capital of the person or is able to directly or indirectly exert a controlling influence upon such a person, or
2. a third party holds substantial participations both in the capital of the person and of the taxpayer or is able to directly or indirectly exert a controlling influence on both of them, or
3. the person or the taxpayer is able, in agreeing on the terms and conditions of a business relationship, to exert influence on the taxpayer or on the person based on particulars outside the scope of such business relationship or if one of them is personally interested in the other party's earning of such income.

(3) If an estimate must be made pursuant to § 162 of the General Tax Code with regard to the income referred to in subsec. (1) hereof, then in the absence of other suitable criteria such estimation shall be made by using the criterion of a return on the capital invested in the enterprise or of a gross profit which on the basis of experience and custom can be expected under normal circumstances.

(4) A business relationship within the meaning of subsecs (1) and (2) hereof exists if the relationship underlying the income constitutes – either for the taxpayer or for the related person – part of an activity to which §13, § 15, §18, or §21 of the Income Tax Act applies or would apply if the activity had been carried out domestically.

1 § 1, Subsec. (3), amended by the Act of 12-21-1976 (Federal Law Gazette I p. 3341), Subsec. (4), supplemented by the Act of 02-25-1992 (Federal Law Gazette I p. 297); for the first application of subsec. (4), see §21, Subsec. (4), Sent. 2.

## **§ 2 Income Tax.**

**§ 2 Income Tax.** (1)<sup>1</sup> An individual who has been subject to an unlimited income tax liability as a German citizen for at least five years within the last ten years before the end of his unlimited income tax liability as defined in §1, subsec. (1), first sentence Income Tax Act and

1. who resides in a foreign territory where his income is subject only to a low tax or who is not a resident of any foreign territory, and
2. who maintains substantial economic interests within the scope of this Act

shall, in addition to his exposure to limited tax liability within the meaning of the Income Tax Act, remain subject to limited tax liability for income tax purposes until the expiration of ten years after the end of the unlimited tax liability, with regard to all income within the meaning of §2, subsec. (1), first sentence, first half-sentence, Income Tax Act which, in the case of unlimited taxability for income tax purposes, would not constitute income from foreign sources within the meaning of § 34 c, subsec. (1) Income Tax Act. The first sentence hereof shall only apply to assessment periods in which the total income subject to a limited tax liability hereunder exceeds 16,500 Euro.

(2)<sup>2</sup> A low tax within the meaning of subsec. (1) No. 1 is present if

1. the tax burden resulting from the income tax levied in the foreign territory (according to the rate schedule and considering exemptions built into such rate schedule) on a taxable income of 77,000 Euro received by an unmarried natural person residing in that territory is more than one third lower than the tax burden resulting from the German income tax imposed on a natural person residing in the geographical territory to which this Act applies under otherwise equal circumstances, unless such person can show that the total amount of taxes such person has to pay on his income is equal to at least two thirds of the amount of income tax such person would have had to pay in the case of unlimited taxability pursuant to § 1 subsec. (1) of the Income Tax Act, or
2. the tax burden of such person resulting from the income tax imposed in the foreign territory may be considerably reduced due to special tax privileges granted in comparison with the normal taxation, unless such person can show that the total amount of taxes such person has to pay on his income is equal to at least two thirds of the amount of income tax such person would have to pay in the case of unlimited taxability pursuant to § 1, subsec. (1) of the Income Tax Act.

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<sup>1</sup> §2 Subsec. 1, Sent. 1, amended by the Act of 12-21-1974 (Federal Law Gazette I p. 3656); Subsec. 1, Sent. 2, amended effective VZ 2002 (§21, Subsec. 10, Sent. 1) by Act of 12-19-2000 (Federal Law Gazette I p. 1790).

Regarding §2, Subsec. 1, see Decision of the Federal Constitutional Court – 2 “BvL 2/83 of 05-14-1986 (Federal Law Gazette I p. 1030, Federal Law Gazette II, p. 628).

<sup>2</sup> §2, Subsec. 2, No. 1 and Subsec. 3 No. 2 and 3 amended effective VZ2002 (§21 Subsec. 10, Sent. 1) by Act of 12-19-2000 (Federal Law Gazette I p. 1790).

(3) <sup>3</sup>A person maintains considerable economic interests within the geographical territory to which this Act applies within the meaning of subsec. (1) No. 2 if

1. at the beginning of the assessment period such person is an entrepreneur or partner of a business enterprise located within the geographical territory to which this Act applies or, in case such person is a limited partner, more than 25 percent of the income from that company within the meaning of §15, subsec. (1), No. 2 of the Income Tax Act is attributable to such person or if such person owns a participation in a domestic corporation within the meaning of § 17 subsec. (1) of the Income Tax Act, or
2. the income of the person which would not constitute income from foreign sources within the meaning of § 34 c, subsec. (1) of the Income Tax Act in the case of unlimited taxability amounts to more than 30 percent of his total income or exceeds 62,000 Euro in the assessment period, or
3. at the beginning of the assessment period the property of such person the proceeds from which would not constitute income from foreign sources within the meaning of § 34 c subsec. (1) of Income Tax Act in the case of unlimited taxability amounts to more than 30 percent of his total property or exceeds 154,000 Euro.

(4) <sup>4</sup>When applying subsec. (1) and subsec. (3), business enterprises, participations, income and property of a foreign corporation within the meaning of § 5 of which the person holds shares under the prerequisites described in § 5 shall be taken into consideration in proportion to the shareholdings of such person.

(5) <sup>5</sup>If subsec. (1) applies, then the applicable tax rate is the one which would apply to the total amount of income of the person. § 50, subsec. (5) Income Tax Act shall not apply to income subject to the withholding tax on capital revenues or subject to the withholding tax under § 50 a Income Tax Act. §50, subsec. (3), second sentence of the Income Tax Act shall apply with the proviso that the income tax may not be lower than the amounts of tax to be withheld.

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<sup>3</sup> §2, Subsec. 3, No. 1 amended by the Act of 12-21-1974 (Federal Law Gazette I p. 3656); No. 1 amended effective on 01-01-2001 by the Act of 10-23-2000 (Federal Law Gazette I p. 1433).

<sup>4</sup> §2, Subsec. 4, amended by the Act of 04-17-1974 (Federal Law Gazette I p. 933).

<sup>5</sup> §2, Subsec. 5, amended by the Act of 12-21-1974 (Federal Law Gazette I p. 3656).  
For §2, subsec. 5, sent. 2, see Decision of the Federal Constitutional Court – 2 BvL 2/83 – of 05-14-1986 (Federal Law Gazette I p. 1030).

- (6) If the person can show that the additional tax payable by virtue of subsecs. (1) and (5) results in a total domestic tax exceeding the amount of the tax which would become payable in the case of unlimited taxability and in case the person were a resident of the geographical territory to which this Act applies exclusively, then the excessive amount shall not be levied to the extent it exceeds the amount of tax which would be payable without the application of subsecs. (1) and (5).

### **§ 3 1 (Repealed)**

§3 repealed effective on 01-01-1997 by Act of 12-20-1996 (Federal Law Gazette I p. 2049).

### **§ 4 Inheritance Tax**

§ 4<sup>1</sup> Inheritance Tax. (1) If § 2, subsec. (1), first sentence, applied to a decedent or donor at the time when the tax liability arose, then in the case of inheritance tax liability arising pursuant to § 2, subsec. (1) No. 3 of the Inheritance Tax Act, such liability shall (over and above the scope defined therein) encompass all portions of the inheritance, the proceeds from which would not constitute income from foreign sources within the meaning of § 34 c, subsec. (1) Income Tax Act in the case of unlimited taxability.

- (2) Subsec. (1) shall not apply if it can be shown that with respect to the items transferred which would be subject to tax according to this provision over and above § 2, subsec. (1) No. 3 of the Inheritance Tax Act, a tax corresponding to the German inheritance tax must be paid abroad equal to at least 30 percent of the German inheritance tax which would become payable on those portions of the inheritance transferred if subsec. (1) were applied thereto.

1 § 4, amended through Act of 04-17-1974 (Federal Law Gazette I p. 933)

### **§ 5 Interposed Companies**

**§ 5<sup>1</sup> Interposed Companies.** (1) In the case of individuals who have had unlimited tax liability as German citizens for at least five years within the last ten years before the termination of their unlimited tax liability as defined in § 1, subsec. (1), first sentence Income Tax Act, and who meet the requirements of § 2, subsec. (1), first sentence, No. 1 hereof (person within the meaning of § 2), and who participate, either by themselves or together with other persons who are subject to unlimited taxability, in a foreign corporation within the meaning of § 7, there shall be attributed to such individuals the income with respect to which such individuals would have been subject to tax pursuant to §§ 7, 8 and 14 had they maintained their unlimited tax liability, except for such items of income constituting income from foreign sources within the meaning of § 34 c, subsec. (1) Income Tax Act. If the requirements of the first sentence are met, then those assets of the foreign corporation the proceeds of which would not be subject to unlimited taxability

within the meaning of § 34 c, subsec. (1) of the tax act, would be attributed, in the case of §4, to the acquisition, in proportion to the participation.

(2) The property forming the basis of the income to be attributed to a person pursuant to subsec. (1) shall be liable for the taxes owed by such person for such income.

(3) § 18 shall apply correspondingly.

1 §5, revised by Act of 04-17-1974 (Federal Law Gazette I p. 933); subsec. (1), sent. 2, amended effective 01-01-1997 through Act of 12-20-1996 (Federal Law Gazette I p. 2049)

## **§ 6 Taxation of Wealth Increases**

**§ 6i Taxation of Wealth Increases.** (1) An individual who had been subject to unlimited tax liability pursuant to § 1, subsec. (1) of the Income Tax Act for at least ten years and whose unlimited taxability ends because of an abandonment of his residence or habitual place of abode, shall be subject to § 17 of the Income Tax Act with regard to his participation in a domestic corporation when his unlimited taxability ends even in the absence of a sale of the shares, provided that the other requirements of said provision regarding the shares are met at that time. With regard to shares for which the person can prove that they belonged to him at the time when the person first became subject to unlimited tax liability, the cost of acquisition for such shares shall be equal to their fair market value at that time. The sales price (§ 17, subsec. (2) of the Income Tax Act) shall be substituted by the fair market value of the shares at the time when the unlimited tax liability ends. § 17 and §49, subsec. (1), No. 2 lit. e of the Income Tax Act<sup>2</sup> shall not be affected with the proviso that the gain realized according to these provisions shall be reduced by the amount of the wealth increase taxed under the above provisions.

(2) In the event the person subject to unlimited tax liability acquired the shares partly or wholly by gratuitous legal transaction, then the time period during which the predecessor in title was subject to unlimited tax liability until the transfer of the shares shall be included in the computation of the time period of unlimited tax liability under subsec. (1). If the shares were transferred several times in this manner, then the first sentence shall apply to each predecessor correspondingly. Periods of time during which the person or one or more of his predecessors were subject to unlimited tax liability simultaneously shall be counted only once.

(3) The following shall be equal to a cessation of unlimited tax liability within the meaning of subsec. (1), first sentence:

1. The transfer of the shares wholly or partly by gratuitous legal transaction to persons not subject to unlimited tax liability; the tax shall be reduced or abated if the transfer of the shares is subject to inheritance tax, or
2. the taking of a residence or of a usual place of abode or the meeting of another similar criterion in a foreign state if this would make the person a resident of such other state by virtue of avoiding a Double Taxation, or

3. the contribution in kind of the shares to a business or a permanent establishment of the person located in a foreign state if the right of the Federal Republic of Germany to tax the gain realized upon the sale of the shares is excluded by virtue of a Double Taxation Convention, or
  4. <sup>3</sup> the exchange of the shares against shares in a foreign corporation. The application of the provisions of the Tax Reorganization Law shall not be affected.
- (4) If the unlimited tax liability ends because of a temporary absence and if the taxpayer becomes subject to unlimited tax liability again with regard to income within five years after his unlimited taxability had ended, then there shall be no tax under subsec. (1), unless the shares are sold in the meantime or unless the situations described in subsec. (3) Numbers 1, 3 and 4 have occurred: the tax office may extend this time period by a maximum period of five years if the taxpayer can substantiate that his absence is due to professional reasons and that his intention to return remains unchanged.
- (5) Upon request, the tax office shall permit a deferral by way of installment payments, against security, regarding the income tax payable under subsec. (1) to be made in equal installments over a period not to exceed five years after the date when the tax first became due, if an immediate collection of the tax would result in a considerable hardship to the taxpayer. In case of a sale of shares during the deferral period, the installments shall be adjusted accordingly. If subsec (4) applies, then the deferral period shall be governed by the time period granted to the taxpayer thereunder; partial tax payments shall not be collected, a security may only be waived if the collection of the tax does not appear to be endangered.

1. §6, subsec.(1), sentence 4 repealed (sentence 5 is now sentence 4) through UntStFG (Corporation Tax Law) of 12-20-2001 (Federal Law Gazette I p. 3858); for application see §21, subsec. (7), sentence 2.
2. §6, subsec.(1), sentence 5 citation amended by Act of 02-25-1992 (Federal Law Gazette I, p. 297)
3. §6, subsec. (3), sentence 2 supplemented by Act of 12-21-1993 (Federal Law Gazette I p. 2310) and amended effective 01-01-1995 by Act of 10-28-1994 (Federal Law Gazette I p. 3267)

### **§ 7 Tax Imposed on Domestic Shareholders**

**§ 7 Tax Imposed on Domestic Shareholders.** (1) If individuals or corporations with unlimited tax liability participate with more than one half in a corporation, an association or conglomeration of assets as defined in the Corporation Income Tax Act having neither its central management nor its corporate seat within the geographical territory defined in this act and do not qualify as a tax-exempt organization under § 3, subsec. (1) Corporation Income Tax Act (foreign corporation), then that part of the income for which the said corporation is an intermediate company shall be included in the income of each of the said parties with unlimited tax liability in proportion to their participation in the foreign corporation.

- (2) For purposes of subsec. (1) parties with unlimited tax liability shall be deemed to participate with more than one half in a foreign corporation if at the end of the fiscal year of the corporation in which the corporation earned the income referred to in subsec (1) (controlling fiscal year), more than 50 percent of the shares or of the voting rights in the foreign corporation are attributable to either such parties or to such parties together with persons referred to in § 2. In applying the foregoing sentence, there shall also be taken into consideration those shares and voting rights which are held by another corporation on behalf of the said parties or persons whereby the calculation shall take place in proportion to the shares or voting rights in such corporations which correspond to the total shares or voting rights in said corporations; the above shall apply correspondingly if shares or voting rights are indirectly held by several interposed companies. In the absence of a share capital and of voting rights, the participation in the assets of the company shall be controlling.
- (3) If persons with unlimited tax liability, either directly or through partnerships, are partners in a partnership which in turn participates in a foreign corporation within the meaning of subsec. (1), then said persons are considered to hold such participations personally.
- (4) For purposes of §§ 7 through 14, shares and voting rights held by a person forced to follow or who actually follows the instructions of the person with unlimited tax liability in such a way that that the person holding said shares and voting rights has no substantial freedom to make his own decisions, shall be deemed to be held by the person with the unlimited tax liability. This prerequisite is not fulfilled merely because the resident owns an interest in such person.
- (5) If the participation in the nominal capital of the foreign corporation is immaterial for the distribution of its profits or if the foreign corporation does not have a nominal capital, then the actual distribution of its profits shall be the basis for the allocation of its profits pursuant to subsec. (1).
- (6) <sup>1</sup> If a foreign corporation is an intermediate company with respect to intermediate income with capital investment character within the meaning of § 10, subsec. (6), sentence 2, and if a party subject to unlimited tax liability owns at least 1 percent of the stock of such corporation, then such intermediate income shall be taxable to such party to the extent prescribed in subsec. (1), regardless of whether the other prerequisites of subsec. (1) are met. The 1<sup>st</sup> sentence shall not apply if the gross receipts underlying the intermediate income with capital investment character do not exceed 10 percent of the entire gross receipts of the foreign intermediate company and if the amounts thus to be disregarded on the level of an intermediate company or of a taxpayer do not exceed 62,000 Euro<sup>2</sup> in total; *in computing gross receipts all amounts which relate to items of income falling under § 13 subsec. (1) shall be disregarded.* Sentence 1 shall also apply in the event of a participation of less than 1 percent if the foreign corporation realizes gross proceeds which are exclusively or almost exclusively based on intermediate

income with capital investment character unless the main class of shares of the foreign corporation is traded regularly on a recognized stock exchange.

- (7) Subsections (1) through (6) shall not apply if the tax provisions of the Foreign Investment Act in its version published on September 9, 1998 (Federal Law Gazette I p. 2820) amended by Article 11 of the Act on October 23, 2000 (Official Law Gazette I p. 1433) in its effective version applies to the income for which the foreign corporation is the intermediate company.

<sup>1</sup> § 7, subsec. (6), supplemented by Act of 02-25-1992 (Federal Law Gazette I p. 297) and amended by Act of 12-21-1993 (Federal Law Gazette I p. 2310); for first application see § 21, subsec. (7), sentence 1; subsection (6), sent. 1 amended by Act of 12-19-2000 (Federal Law Gazette I p. 1790); for first application see § 21, subsec. (10), sentence 6, as amended by UntStFG (Corporation Tax Law) of 12-20-2001 (Federal Law Gazette I p. 3858); for its first application see § 21, subsec. (7), sentence 3.

<sup>2</sup> In the version of the "UntStFG" (Corporation Tax Law): 120.000 "German Marks"

<sup>3</sup> § 7, subsec. 7 added through "UntStFG" (Corporation Tax Law) on 12-20-2001 (Federal Law Gazette I p. 3858); for application see see § 21, subsec. 7, sentence 4

## **§ 8 Income of Intermediate Companies**

**§ 8 Income of Intermediate Companies.** (1) A foreign corporation is considered to be an intermediate company for income which is subject to a low tax and which does not result from:

1. Agriculture and forestry.
2. the manufacture, processing, treatment or assembly of goods, the generation of energy or the search for and the exploitation of mineral wealth,
3. the operation of a financial institution or an insurance business if such businesses are maintained in a commercially customary manner, unless the business transactions are predominantly made with persons subject to unlimited tax liability and have a participation in the foreign corporation pursuant to § 7, or with persons that are related (within the meaning of § 1, subsec. (2)) with the aforesaid persons,
4. trading, unless
  - a) an individual or corporate resident who participates in the foreign corporation pursuant to § 7 or a person related with said resident within the meaning of § 1, subsec. (2) delivers the commodities or goods thus traded from Germany to the foreign corporation,
  - or
  - b) the commodities or goods are delivered by the foreign corporation to Germany to such a party with tax liability as defined above or to such a related person, except if the party with unlimited tax liability can show that

the foreign corporation maintains a business establishment equipped for such commercial transactions in a businesslike manner and otherwise participates in general business dealings and that the foreign corporation performs activities relative to the preparation, the conclusion and the fulfillment of those transactions without the cooperation of the person with unlimited tax liability or of the related person as defined above.

5. services, unless

- a) the foreign corporation utilizes the services of a person with unlimited tax liability who holds a participation in it pursuant to § 7 or of a person related with the resident within the meaning of § 1, subsec. (2) and such person is subject to tax within the geographical area to which this Act applies with the income derived from his services rendered in this connection,

or

- b) the foreign corporation renders services to a taxpayer as defined above or to a related person as defined, except if the taxpayer can prove that the foreign corporation maintains a business establishment equipped for the rendering of such services and otherwise participates in general business dealings and if it performs the activities relative to such services without the cooperation of the taxpayer as defined or of the related person as defined above,

6. renting and leasing, except for

- a) the granting of the right to use rights, plans, designs, processes, experience and knowledge, unless the taxpayer can prove that the foreign corporation exploits the results of its own research and development carried out without the cooperation of a taxpayer who holds a participation in the foreign corporation pursuant to § 7 or of a person related with such taxpayer within the meaning of § 1, subsec. (2),
- b) the renting and leasing of real estate, unless the taxpayer can demonstrate that the income resulting therefrom would be tax exempt by virtue of a Double-Taxation Convention if it had been received directly by the party with unlimited tax liability who hold participations in the foreign corporation as defined in § 7, and
- c) the renting and leasing of movables, unless the taxpayer can prove that the foreign corporation maintains a commercial renting or leasing business and otherwise participates in general business dealings and performs all the activities relative to such a commercial rental or leasing business without the cooperation of the party with unlimited tax liability holding a

participation in it pursuant to § 7 or a person related with such a taxpayer within the meaning of § 1, subsec. (2).

7. <sup>2</sup> the borrowing and the granting of loan capital with regard to which the taxpayer can prove that it was exclusively raised on foreign capital markets and not derived from a person related with the taxpayer or with the foreign corporation within the meaning of § 1, subsec. (2), and further provided that the funds were routed either to businesses or permanent establishments located outside of the geographical area to which this law applies deriving their gross income exclusively from activities falling under Numbers 1 through 6 above, or that they were routed to businesses or permanent establishments located within the geographical area to which this Law applies.
8. <sup>3</sup>Profit distributions of corporations,
9. the sale of shares to another corporation as well as the dissolution or reduction of its capital, provided the taxpayer can prove that the sales profits are attributable to assets of the other corporation used for activities other than those provided for under §10, subsec. (6), sentence 2; the same applies correspondingly if the profits on such assets of the corporation are attributable to a corporation in which the other corporation owns a participation; losses from the sale of shares of the other corporation as well as from its dissolution or the reduction of its capital can only be taken into consideration if the taxpayer proves that they are attributable to assets used for activities within the meaning of §10, subsec. (6), sentence 2.

(2) <sup>4</sup>*(repealed)*

(3) <sup>5</sup> A low taxation within the meaning of subsec (1) exists if the income of the foreign company is subject to a total tax burden on income of less than 25 percent without being a result of an offset with income from other sources or if the taxes to be thus taken into consideration are reduced by the tax amount due by the corporation generating the income pursuant to the laws of the country in which the corporation is located.

1. §8, subsec. 1, No. 3, second half-sentence, supplemented by Act of 08-20-1980 (Federal Law Gazette I p. 1545).
2. §8, subsec. 1, No. 7, replaced by Act of 09-13-1993 (Federal Law Gazette I p. 1569), parenthesis supplement added by Act of 12-21-1993 (Federal Law Gazette I p. 2310); for first application see §21, subsec. 9, sentence 1,
3. §8, subsec. 1, No. 8 and 9, supplemented by "UntStFG" (Corporate Tax Law) of 12-20-2001 (Federal Law Gazette I p. 3858); for application see §21, subsec. 7, sentence 4.
4. §8, subsec. 2, repealed by "UntStFG" (Corporate Tax Law) of 12-20-2001 (Federal Law Gazette I p. 3858); for last application see §21, subsec. 7, sentence 6.
5. §8, subsec. 3 amended by "UntStFG" (Corporate Tax Law) of 12-20-2001 (Federal Law Gazette I p. 3858); for first application see §21, subsec. 7, sentence 4.